

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT:

BUCHANAN PRODUCTION COMPANY)

DOCKET NO.

VGOB 99-1117-0765

RELIEF SOUGHT:

AUTHORIZATION TO COMBINE)
 ALLOWABLE PRODUCTION BY)
 COMBINING A PORTION OF COAL-)
 BED METHANE GAS DRILLING UNIT)
 T-17 WITH UNIT S-17, UNIT U-21)
 WITH UNIT T-21, AND A PORTION OF)
 UNIT V-21 WITH S-21, ALL OF)
 WHICH UNITS ARE IDENTIFIED IN)
 THE OAKWOOD FIELD RULES' GRID)
 AND IN THE COALBED METHANE)
 GAS FIELD WITHIN THE SEALED)
 GOB AREA OF THE BEATRICE)
 MINE AS SHOWN ON EXHIBIT A1)
 PARTIAL MINE MAP ANNEXED)

(With respect to Drilling
 Unit T-17, this order
 modifies the following:
 1. Pooling order entered
 in VGOB Docket No.
 92-1117-0284 on 1/28/93
 and filed with the Clerk of
 the Circuit Court of
 Buchanan County
 ("Clerk") on 2/5/93 at
 DB404/P132;
 2. Supplemental order
 entered in VGOB Docket
 Docket No. 92-1117-0284
 on 7/8/93 and filed with
 the Clerk on 7/13/93 at
 DB411/PG323;
 3. Pooling order entered
 in VGOB 95-0321-0493
 on 6/22/95 and filed with
 the Clerk on 7/7/95 at
 at DB437/P559; and
 4. Supplemental Order
 entered 10/2/97 and filed
 with the Clerk on 10/21/97
 at DB469/P200

LEGAL DESCRIPTIONS (herein "Subject Lands"):

1. A PORTION OF DRILLING UNIT T-17 AND UNIT S-18)
 LOCATED IN THE VANSANT QUADRANGLE, HURRICANE)
 DISTRICT, BUCHANAN COUNTY, VA. AS DEPICTED ON THE)
 PLATS THEREOF ATTACHED HERETO AS EXHIBITS A AND B)
 RESPECTIVELY; (2) DRILLING UNITS U-21 AND T-21)
 LOCATED IN THE KEEN MOUNTAIN QUADRANGLE,)
 HURRICANE DISTRICT, BUCHANAN COUNTY, VA. AS)
 DEPICTED ON THE PLATS THEREOF ATTACHED HERETO)
 AS EXHIBITS C AND D, RESPECTIVELY; AND)
 (3) A PORTION OF DRILLING UNIT V-21 AND UNIT S-21)
 LOCATED IN THE KEEN MOUNTIAN QUADRANGLE,)
 HURRICANE DISTRICT, BUCHANAN COUNTY, VA. AS)
 DEPICTED ON THE PLATS THEREOF ATTACHED HERETO)
 AS EXHIBITS E AND F, RESPECTIVELY, (herein sometimes)
 Collectively referred to as "Subject Drilling Units"))

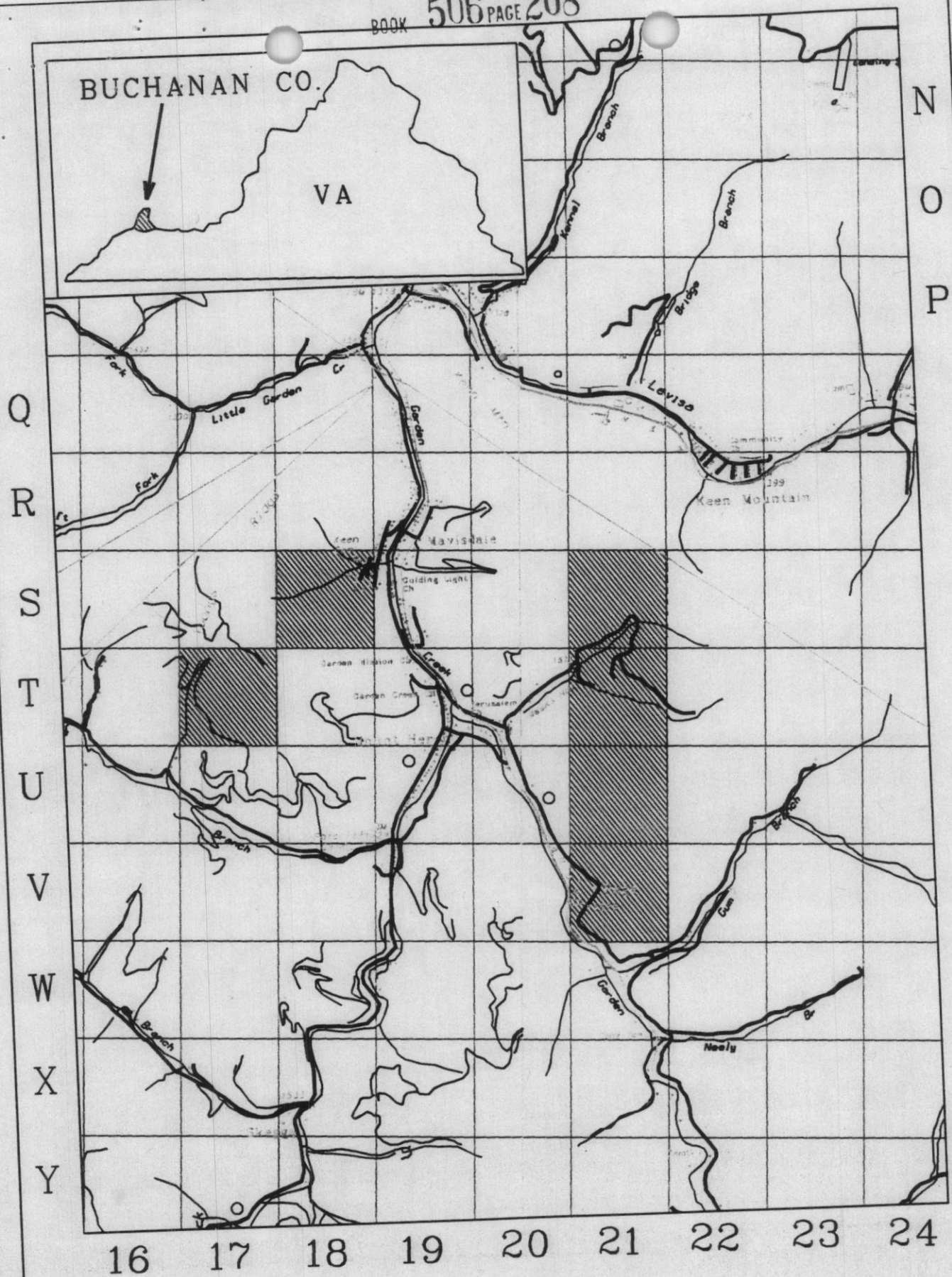
REPORT OF THE BOARD**FINDINGS AND ORDER**

1. **Hearing Date and Place:** This matter came on for hearing before the Virginia Gas and Oil Board (hereinafter "Board") at 9:00 A.M. on November 17, 1999, Southwest Virginia 4-H Center, Hillman Highway, Abingdon, Virginia.
2. **Appearances:** Mark Swartz of the firm Swartz and Stump, L.C. appeared in behalf of the Applicant, Buchanan Production Company. Sandra B. Riggs, Assistant Attorney General, was present to advise the Board.
3. **Jurisdiction and Notice:** Pursuant to Va. Code §§ 45.1-361.1 et. seq., and more particularly Va. Code § 45.1-361.20, the Board finds that it has jurisdiction over the subject matter. Based upon the evidence

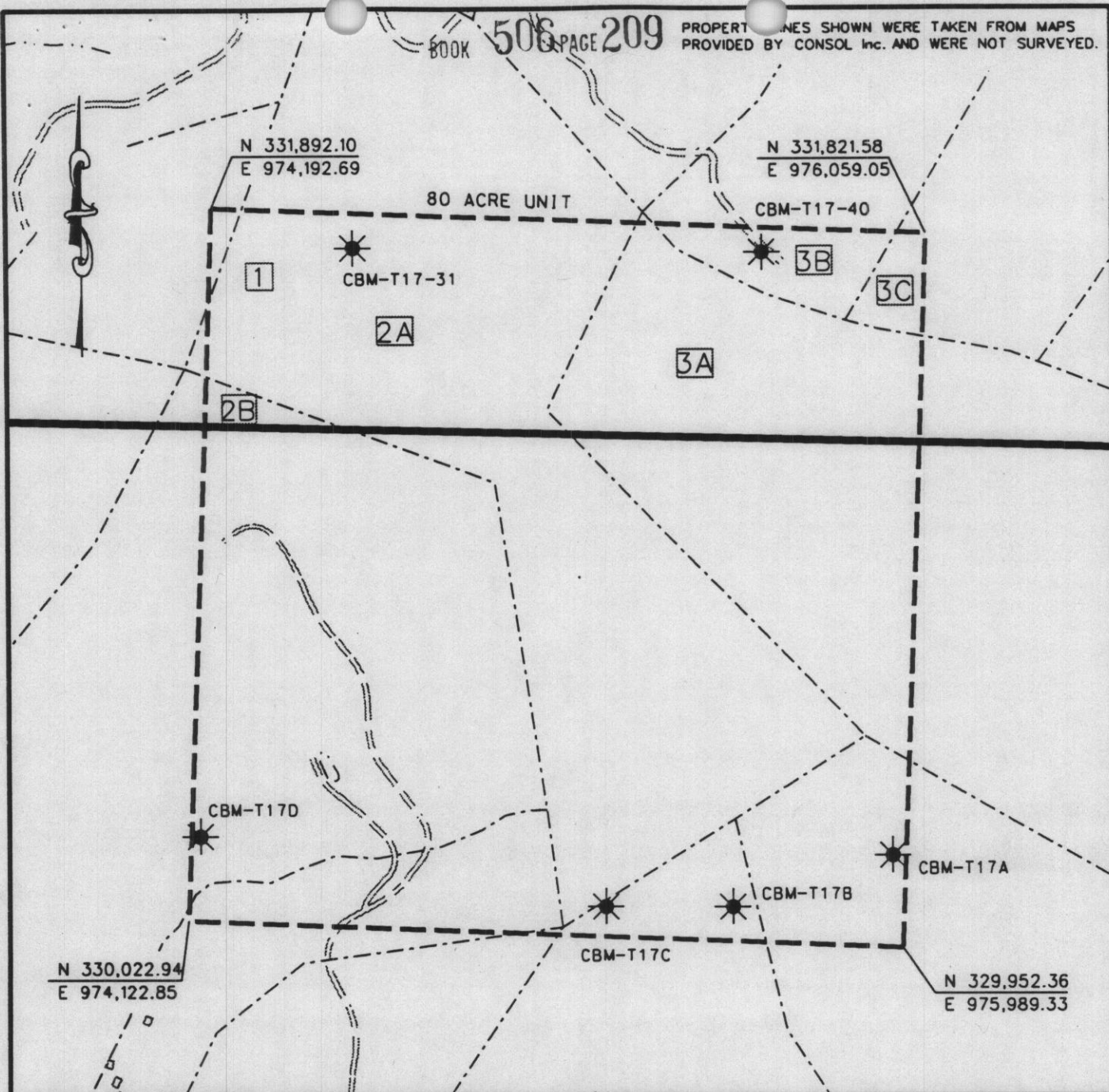
presented by the Applicant, the Board also find that the Applicant has: (1) exercised due diligence in conducting an update of its search of the reasonably available sources to determine the identity and whereabouts of all gas or oil owners, coal owners, mineral owners and/or potential owners, i.e., persons identified by Applicant as having ("Owner") or claiming ("Claimant") the rights to coalbed methane gas in all coal seams below the Tiller (herein "Subject Formation") in Subject Drilling Units underlying and comprised of Subject Lands; and (2) has given notice to all such parties, herein sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) who are those persons entitled by Va. Code §§ 45.1-361.19 and 45.1-361.22 to notice of the application filed herein. Further, the Board has caused notice of this hearing to be published as required by Va. Code § 45.1-361.19.B. Whereupon, the board hereby finds that the notices given herein satisfy all statutory requirements, Board rule requirements and the minimum standards of state due process.

4. Amendments: None.
5. Dismissals: None.
6. Relief Requested: Applicant seeks this order of the Board to:
 - a. Combine a portion of Drilling Unit T-17 and all of Drilling Unit S-18 to allow the combined allowable production of 457 MMCF from CBM Well T17E-31 (Permit No. 3625) and CBM Well T17-40 (Permit No. 3630), both located within Drilling Unit T-17;
 - b. Modify the Virginia Gas and Oil Board's Orders in Docket Numbers VGOB 92-1117-0284 and 95-0321-0493, affecting Phyliss Everett, Eleanor Hankins and Louise & Lester Agee to specifically allow for the production of sealed gob gas from CBM Well T17E-31 (Permit No. 3625) and CBM Well T17-40 (Permit No. 3630) which were drilled as vertical ventilation holes prior to the date on which the Beatrice sealed gob area was created by the Board for the production of coalbed methane from the Beatrice sealed gob area, and to order the allocation of said production to the Owners and Claimants who are within both the boundaries of the Beatrice sealed gob area and the previously pooled T-17 Unit;
 - c. Combine Drilling Units U-21 and T-21 to allow the combined allowable production of 700 MMCF from CBM Well U21-58 (Permit No. 4033) located within Drilling Unit U-21;
 - d. Combine a portion of Drilling Unit V-21 and all of Drilling Unit S-21 to allow the combined allowable production of 451.94 MMCF from CBM Well V21-49 (Permit No. 4140-01) located within Drilling Unit V-21.
7. Relief Granted: The Applicants requested relief in this cause, as more particularly set forth and described in Paragraph 6 above, be and hereby is granted:
8. Special Findings:
 - a. The Oakwood I Field Rules established by OGCB Order 3-90, as modified, ("Oakwood I Field Rules") contemplate and make provisions for the production of coalbed methane gas from frac wells drilled in advance of mining. The Oakwood II Field Rules established by the Board's Order in VGOB Docket No. 91-1119-0162, as modified, ("Oakwood II Field Rules") contemplate and make provisions for the production of coalbed methane gas produced from short holes, active gob wells and increased density wells during mining. The Beatrice Sealed Gob Field Rules established by the Board's Order in VGOB 96-0618-0545 ("Beatrice Sealed Gob field Rules") contemplate and make provisions for the production of coalbed methane gas from the sealed gob areas of the Beatrice Mine ("Beatrice Sealed Gob Area").

- b. To the extent that any drilling unit lies within the Beatrice Mine Sealed Gob Area, production of coalbed methane gas allocable to such portions of it are subject to the Beatrice Mine Sealed Gob Field Rules, rather than the Oakwood I Field Rules or the Oakwood II Field Rules.
- c. The Beatrice Mine Sealed Gob Field Rules establish the allowable production allocable to each 80-acre drilling unit contained within the boundaries of said field to be 350 MMCF, and further provide that in the event a unit within the Beatrice Sealed Gob Area contains less than 80-acres, then such unit shall be allocated an allowable production determined by multiplying the number of acres in said area times 350 MMCF and dividing the result by eighty (80).
- d. The Beatrice Coalbed Methane Field Rules further provides that a Unit Operator may produce in excess of the established allowable production for a drilling unit only if, upon application to the Board, the Board authorizes the combining of two or more contiguous and/or noncontiguous drilling units within the Beatrice Sealed Gob Area into a single drilling unit for purposes of calculating their combined allowable production and assigns the allowable production of each of the combined units to said well, provided, however, that the unit operator demonstrates: (1) that the requested relief is necessary to avoid the drilling of unnecessary wells, (2) the applicant has acquired through voluntary agreements or by Board action pursuant to Va. Code § 45.1-361.21 and 45.1-361.22 the right to conduct operation on all of the acreage within the units to be combined; and that the proposal is not an unreasonable or arbitrary exercise of applicant's right to explore for or produce Gas.
- e. With respect to Applicant's application to: (1) modify the pooling orders entered by the Board for the T-17 drilling unit to make that portion of said unit lying within the Beatrice Sealed Gob Area subject to the provisions of the Beatrice Sealed Gob Field Rules rather than the provisions of the Oakwood II Field Rules; (2) combine the allowable production allocable by the Beatrice Sealed Gob Field Rules to and that portion of Unit T-17 that is within the Beatrice Sealed Gob Area and Unit S-18; (3) permit the Unit Operator to produce from CBM Wells T17-31 and T17-40 a combined allowable production of 457 MMCF:
- (1) Unit T-17 is an 80-acre Oakwood Coalbed Methane Field unit. Of the 80-acres comprising Unit T-17, 24.46 acres lie within the Beatrice Mine sealed gob Area.
 - (2) Unit S-18 is an 80-acre Oakwood Coalbed Methane Field drilling unit which lies entirely within the Beatrice Sealed Gob Area. Unit S-18 is being operated by the Unit Operator as a voluntary drilling unit; therefore, there are no prior Board orders pooling the gas interests within said unit. As shown on the Plat of the S-18 Drilling Unit attached hereto as Exhibit B, there are no wells drilled in Unit S-18.
 - (3) As shown on the Plat of the T-17 Drilling Unit attached hereto as Exhibit A, within the portion of the T-17 unit which lies within the Beatrice Sealed Gob Area there are two wells, i.e., Well CBM-T17-31 and CBM-T17-40.
 - (4) Unit T-17 was first pooled pursuant to the Oakwood II Field Rules by Board Order in Docket No. VGOB 92-1117-0284 for the production of coalbed methane from short holes and unsealed gob wells producing from the active gob areas of the VP-8 Mine. The Board's Oakwood II pooling order for Unit T-17 was modified by Board Order in Docket No. 95-0321-0493.
- f. With respect to Applicant's application to (1) combine the allowable production allocable by the Beatrice Sealed Gob Field Rules to Units U-21 and T-21, and (2) permit the Unit Operator to produce from CBM Well U21-58 a combined allowable production of 700 MMCF for Units U-21 and T-21:
- (1) Units U-21 and T-21 are 80-acre Oakwood Coalbed Methane Field units which lie entirely within the Beatrice Sealed Gob Area.



UNITS T-17, S-18, U-21, T-21, V-21 & S-21
 EXHIBIT A1
 VGOB-99-1117-0765



LEGEND

TRACT LAND HOOK

TRACT LAND ID'S

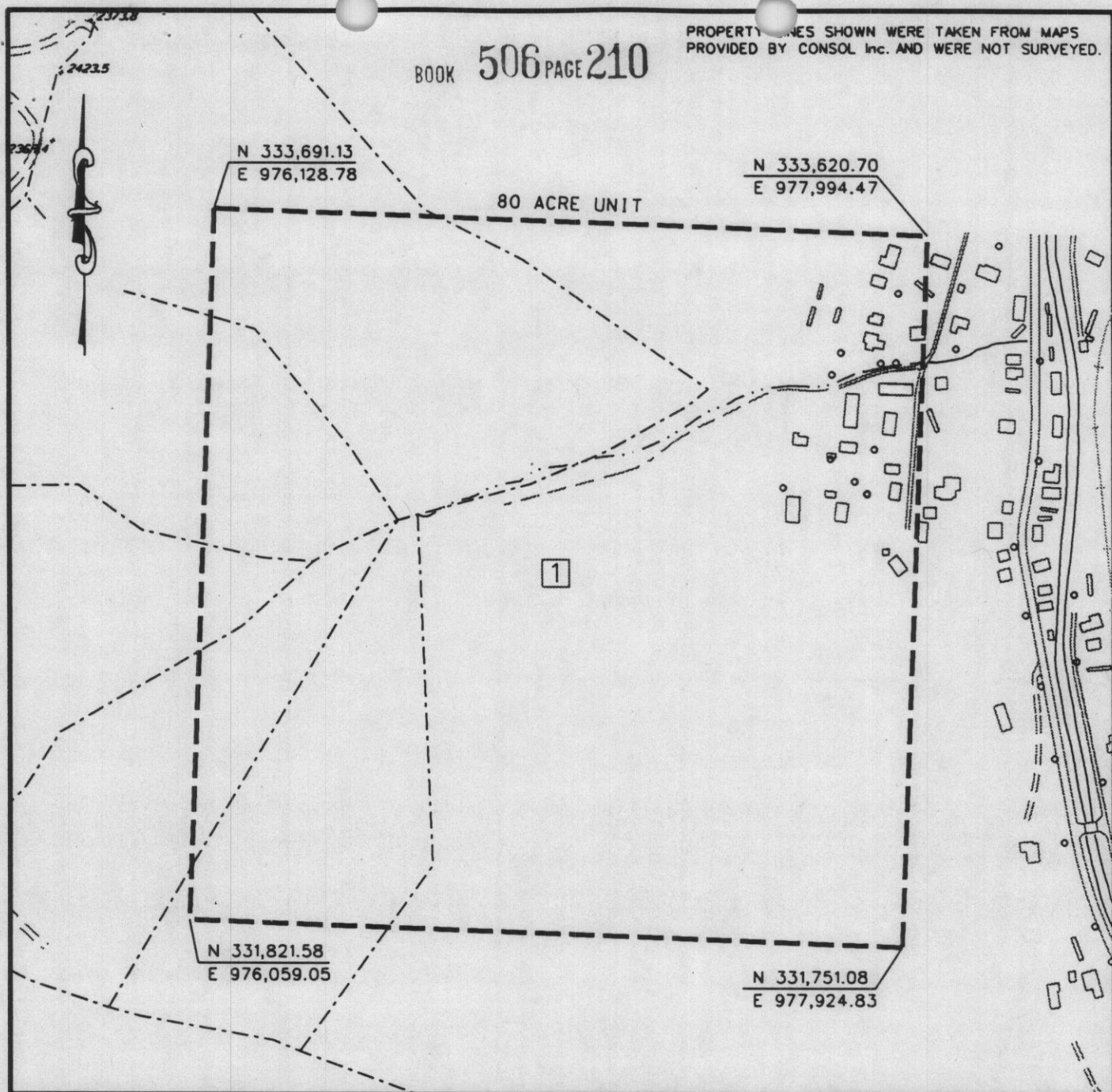
EXHIBIT A
OAKWOOD FIELD UNIT T-17
VGOB-99-1117-0765

Company Consol Inc. Well Name and Number UNIT T17
Tract No. Elevation Quadrangle Vasant
County Buchanan District Hurricane Scale: 1" = 400' Date 10/18/99
This plat is a new plat X : an updated plat : or a final plat

Form DGO-GO-7
Rev. 9/91

Charles D. Noyes
Licensed Professional Engineer or Licensed Land Surveyor

(Affix Seal)

**LEGEND**

TRACT LAND HOOK

TRACT LAND ID'S

EXHIBIT A
OAKWOOD FIELD UNIT S-18
VGOB-99-1117-0765

Company Consol Inc. Well Name and Number UNIT S18
 Tract No. _____ Elevation _____ Quadrangle Vansant
 County Buchanan District S. Grundy Scale: 1" = 400' Date 10/18/99
 This plat is a new plat X ; an updated plat _____ ; or a final plat _____

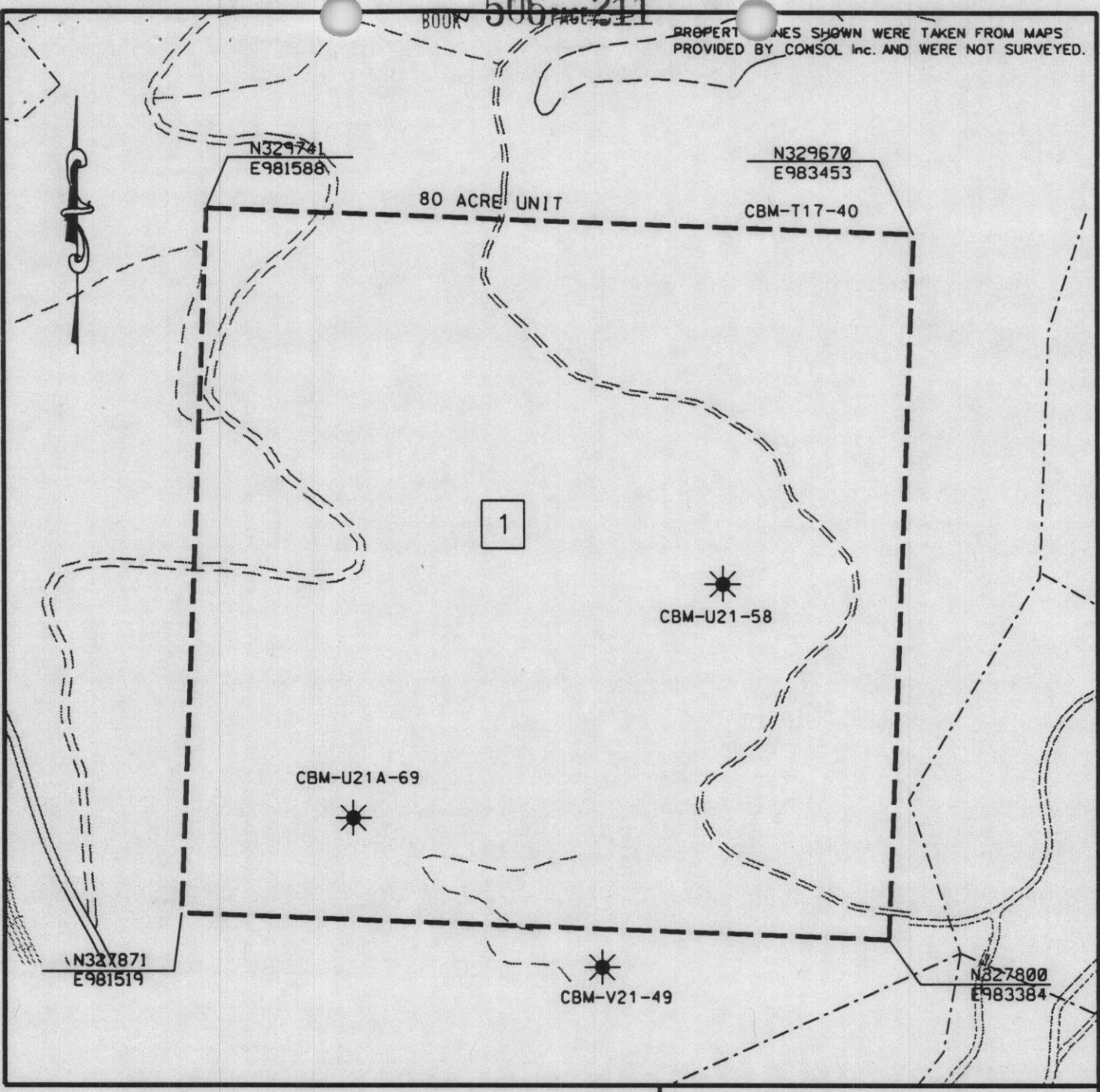
Form DGO-GO-7
Rev. 9/91

Charles D. Moya
Licensed Professional Engineer or Licensed Land Surveyor

No. 10958

(Affix Seal)

PROPERTY LINES SHOWN WERE TAKEN FROM MAPS PROVIDED BY CONSOL Inc. AND WERE NOT SURVEYED.



LEGEND



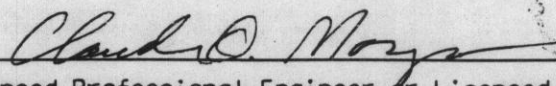
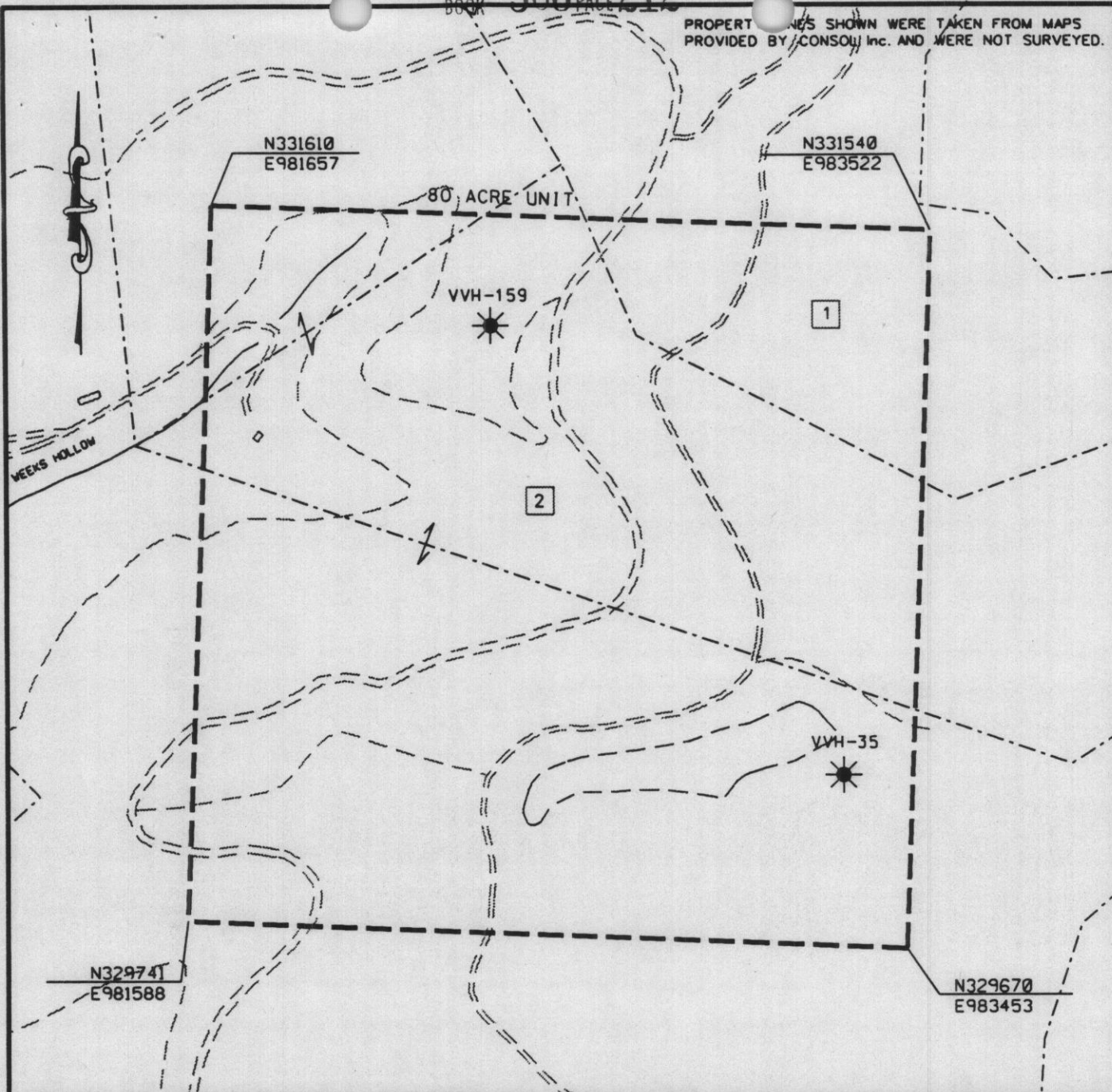
-  TRACT LAND HOOK
-  TRACT LAND ID'S

EXHIBIT A
OAKWOOD FIELD UNIT U-21
VGOB-99-1117-0765

Company Consol Inc. Well Name and Number UNIT U21
Tract No. _____ Elevation _____ Quadrangle Keen Mountain
County Buchanan District Hurricane Scale: 1" = 400' Date 10/18/99
This plat is a new plat X : an updated plat _____ : or a final plat _____

Form DGO-GO-7
Rev. 9/91

Licensed Professional Engineer or Licensed Land Surveyor (Affix Seal)

PROPERTY LINES SHOWN WERE TAKEN FROM MAPS
PROVIDED BY CONSOL Inc. AND WERE NOT SURVEYED.

**LEGEND**

→ TRACT LAND HOOK

[2] TRACT LAND ID'S

EXHIBIT A
OAKWOOD FIELD UNIT T-21
VGOB-99-1117-0765

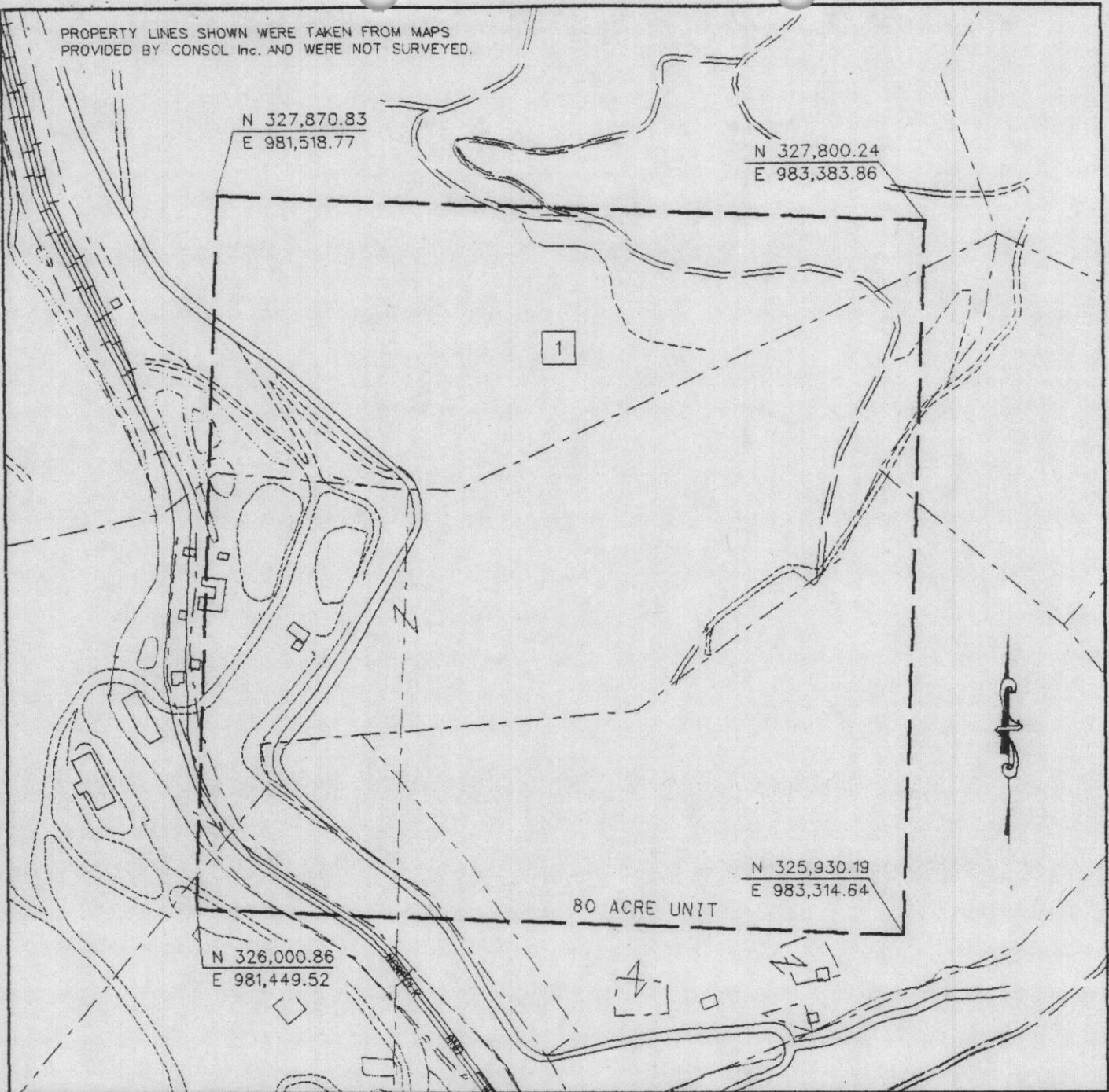
Company Consol Inc. Well Name and Number UNIT T21
 Tract No. _____ Elevation _____ Quadrangle: Keen Mountain
 County Buchanan District Hurricane Scale: 1" = 400' Date 10/18/99
 This plat is a new plat X ; an updated plat _____ or a final plat _____

Form DGO-GO-7
Rev. 9/91

Claude E. Meyer
Licensed Professional Engineer or Licensed Land Surveyor

(Affix Seal)

PROPERTY LINES SHOWN WERE TAKEN FROM MAPS
PROVIDED BY CONSOL Inc. AND WERE NOT SURVEYED.

**LEGEND**

↖ TRACT LAND HOOK

[2] TRACT LAND ID'S

EXHIBIT A
OAKWOOD FIELD UNIT V-21

VG0B-99-1117-0765

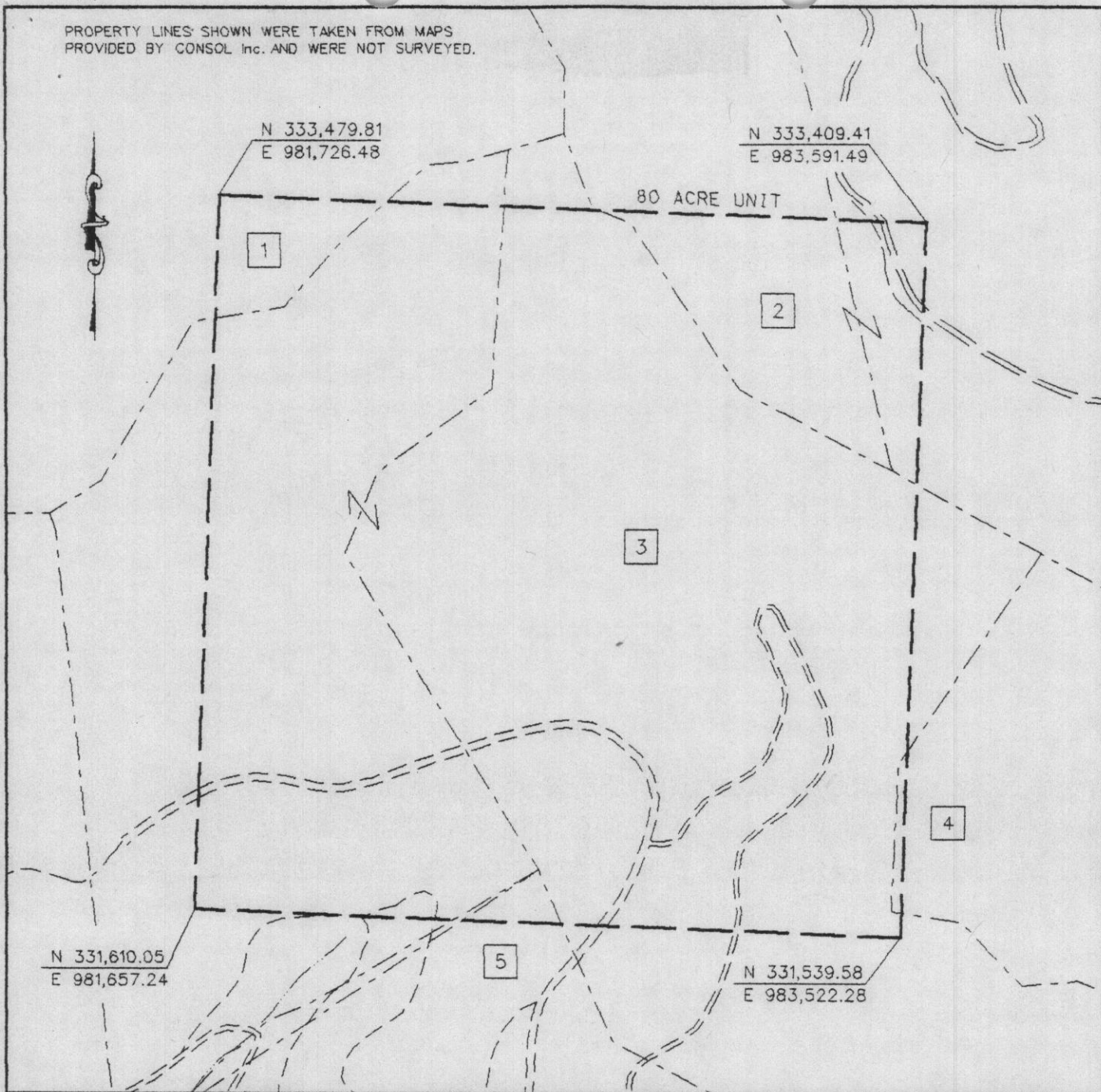
Company Consol Inc. Well Name and Number UNIT V21
 Tract No. _____ Elevation _____ Quadrangle Keen Mountain
 County Buchanan District Hurricane Scale: 1" = 400' Date 10/18/99
 This plat is a new plat X ; an updated plat _____ ; or a final plat _____

Form DGO-GO-7
Rev. 9/91

Charles D. May
Licensed Professional Engineer or Licensed Land Surveyor

(Affix Seal)

PROPERTY LINES SHOWN WERE TAKEN FROM MAPS
PROVIDED BY CONSOL Inc. AND WERE NOT SURVEYED.

**LEGEND**

↖ TRACT LAND HOOK

[2] TRACT LAND ID'S

EXHIBIT A

OAKWOOD FIELD UNIT S-21

VGOB-99-1117-0765

Company Consol Inc. Well Name and Number UNIT S21
 Tract No. _____ Elevation _____ Quadrangle Keen Mountain
 County Buchanan District Hurricane/Garden Scale: 1" = 400' Date 10/18/99
 This plat is a new plat X ; an updated plat _____ ; or a final plat _____

Form DGO-GO-7
Rev. 9/91

Claude D. Noyes
Licensed Professional Engineer or Licensed Land Surveyor

(Affix Seal)

CONSOL INC.
BEATRICE MINE AREA
UNIT T-17
Tract Identifications

1. Big Axe Tract 4 - Coal
Wayles R. Harrison & Landon R. Wyatt, Jr., Trustees
Island Creek Coal Company - Coal Lessee
Beatrice Pocahontas Company
Jewell Smokeless Coal Corporation
Buchanan Production Company - CBM Lessee
Jesse Childress Heirs, Et al. - Surface, Oil & Gas
0.22 acres 0.88943%

2. Big Axe Tract 6 - Coal, Oil & Gas
Wayles R. Harrison & Landon R. Wyatt, Jr., Trustees
Island Creek Coal Company - Coal Lessee
Beatrice Pocahontas Company
Jewell Smokeless Coal Corporation
Buchanan Production Company - Oil & Gas Lessee
Buchanan Production Company - CBM Lessee
12.91 acres 52.78005%

- 2A. Jessie G. Childress Heirs, Et al. - Surface
2B. Bill Ratliff - Surface

3. Yukon Pocahontas Coal Co. Etal - Coal, Oil & Gas
Island Creek Coal Company - Coal Lessee
Beatrice Pocahontas Company
Jewell Smokeless Coal Corporation
Buchanan Production Company - CBM Lessee
11.33 acres 46.32052%

- 3A. Neal Blankenship - Surface
3B. Clarence Phillips, et al - Surface
3C. Clarence Phillips, et al - Surface

CONSOL INC.
UNIT S-18
Tract identifications

1. Yukon Pocahontas Coal Company, et al - Coal, Oil & Gas
Big Vein Tr. 3
Island Creek Coal Company - Coal Lessee
Jewell Smokeless Coal Corporation
Buchanan Production Company - CBM Lessee
80.00 acres 100.00%

CONSOL INC.

UNIT U-21

Tract Identifications

1. Yukon Pocahontas Coal Co. Et al - TR. 116 - Coal, Oil & Gas
Island Creek Coal Co. - Coal below Tiller seam Leased
Permac Inc. - Tiller & above coal Leased
Buchanan Production Company - CBM Leased
Permac Inc. - Surface
80.00 acres 100.00%

CONSOL INC.
UNIT T-21
Tract Identifications

1. C. L. Ritter Lumber Company - Tr. 11-2 - Coal, Oil & Gas
Island Creek Coal Co. - Coal below Tiller seam Leased
Permac Inc. - Tiller & above coal Leased
Buchanan Production Company - CBM Leased
12.76 acres 15.9500%

2. Yukon Pocahontas Coal Co. Et al - TR. 116 - Coal, Oil & Gas
Island Creek Coal Co. - Coal below Tiller seam Leased
Permac Inc. - Tiller & above coal Leased
Buchanan Production Company - CBM Leased
67.24 acres 84.0500%

CONSOL INC.
UNIT V-21
Tract Identifications

1. Yukon Pocahontas Coal Co. Et al - TR. 116 - Coal, Oil & Gas
Island Creek Coal Co. - Coal below Tiller seam Leased
Permac Inc. - Tiller & above coal Leased
Buchanan Production Company - CBM Leased
Permac Inc. - Surface
23.30 acres 100.00%

CONSOL INC.**UNIT S-21****Tract Identifications**

1. Yukon Pocahontas Coal Co. Et al - TR. 3 - Coal, Oil & Gas
Island Creek Coal Co. - Coal below Tiller seam Leased
Permac Inc. - Tiller & above coal Leased
Buchanan Production Company - CBM Leased
2.06 acres 2.5750%
2. Yukon Pocahontas Coal Co. Et al - TR. 19 - Coal, Oil & Gas
Island Creek Coal Co. - Coal below Tiller seam Leased
Permac Inc. - Tiller & above coal Leased
Buchanan Production Company - CBM Leased
7.90 acres 9.8750%
3. C. L. Ritter Lumber Company - Tr. 11-2 - Coal, Oil & Gas
Island Creek Coal Co. - Coal below Tiller seam Leased
Permac Inc. - Tiller & above coal Leased
Buchanan Production Company - CBM Leased
69.42 acres 86.7750%
4. C. L. Ritter Lumber Company - Tr. 11-3 - Coal, Oil & Gas
Island Creek Coal Co. - Coal below Tiller seam Leased
Permac Inc. - Tiller & above coal Leased
Buchanan Production Company - CBM Leased
0.19 acres 0.2375%
5. Yukon Pocahontas Coal Co. Et al - TR. 116 - Coal, Oil & Gas
Island Creek Coal Co. - Coal below Tiller seam Leased
Permac Inc. - Tiller & above coal Leased
Buchanan Production Company - CBM Leased
0.43 acres 0.5375%

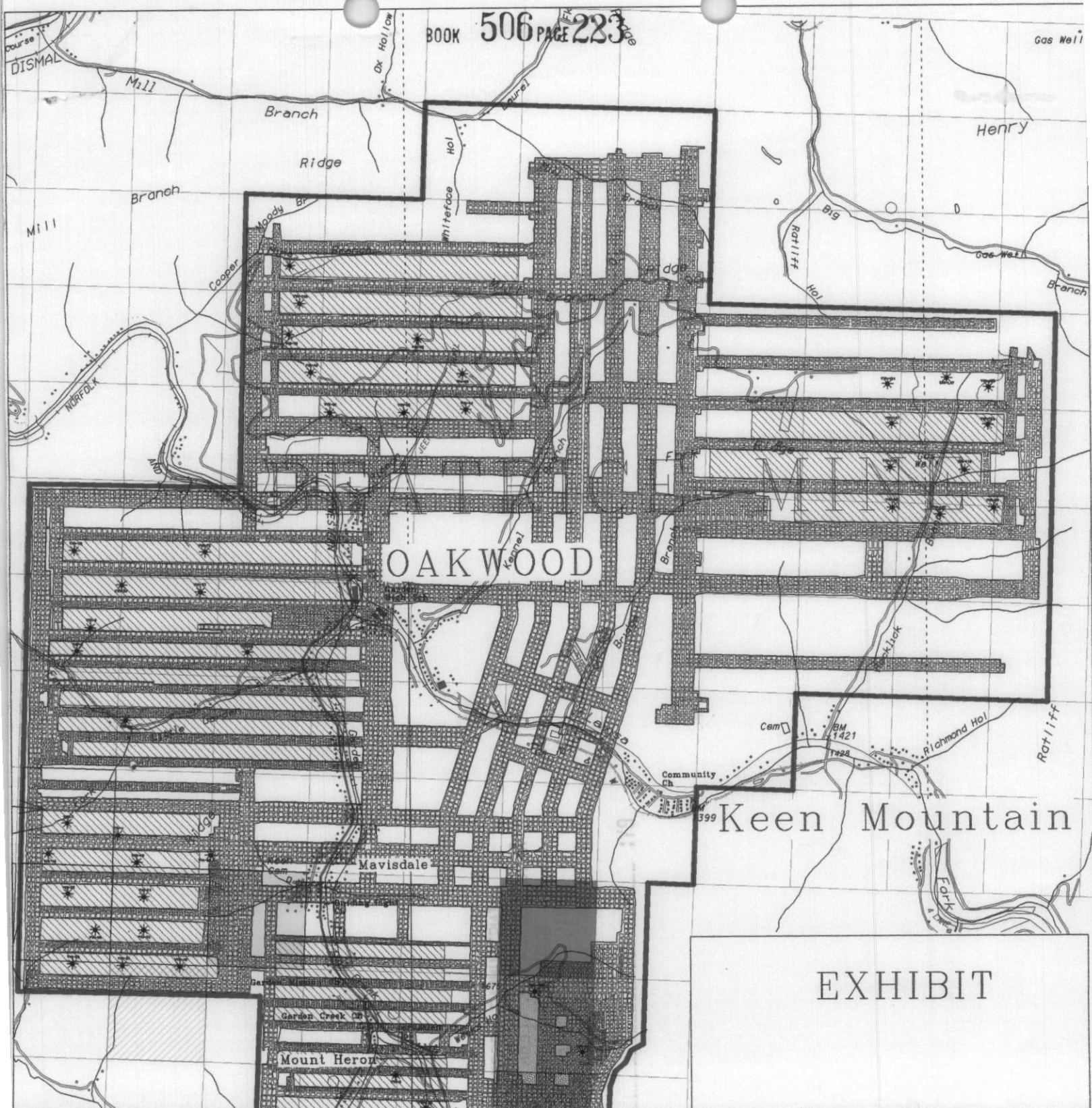
UNIT T-17
Docket # VGOB-95/03/21-0493
Exhibit B-3
List of Unleased Owners/Claimants

	Acres in Unit	Percent of Unit
I. <u>OIL & GAS FEE OWNERSHIP</u>		
Tract No. 1, 0.22 Acres		
(1) Jessie Childress Heirs, Et al	0.22 acres	0.89943%
(a) Phyllis Everett 4472 Dike Road Winter Park, FL 32792	0.013 acres 2/33 of 0.22 acres	0.05451%
(b) Eleanor Hankins 2819 Broadwood Drive Knoxville, TN 37917	0.013 acres 2/33 of 0.22 acres	0.05451%
(c) Louise & Lester Agee 7601 Bull Run Road Manassas, VA 22110	0.003 acres 2/165 of 0.22 acres	0.01090%

UNIT T-17
Docket # VGOB-95/03/21-0493
Exhibit E

List of Conflicting Owners/Claimants that require escrow

		Acres in Unit	Percent of Unit
Tract No. 1, 0.22 Acres			
COAL FEE OWNERSHIP			
(1)	Big Axe Land Company Tr 4 c/o Landon R. Wyatt, Jr. Wyatt Buick Sales Danville, VA 24541	0.22 acres	0.89943%
<u>OIL & GAS FEE OWNERSHIP</u>			
(1)	Jessie Childress Heirs, Et al	0.22 acres	0.89943%
(a)	Phyllis Everett 4472 Dike Road Winter Park, FL 32792	0.013 acres 2/33 of 0.22 acres	0.05451%
(b)	Eleanor Hankins 2819 Broadwood Drive Knoxville, TN 37917	0.013 acres 2/33 of 0.22 acres	0.05451%
(c)	Louise & Lester Agee 7601 Bull Run Road Manassas, VA 22110	0.003 acres 2/165 of 0.22 acres	0.01090%
(c)	Buchanan Production Co. P. O. Box 947 Bluefield, VA 24605	0.191 acres 143/165 of 0.22 acres	0.77950%



EXHIBIT

VIRGINIA: In the Clerk's Office of the Circuit Court of Buchanan County. The foregoing instrument was this day presented in the office aforesaid and is, together with the certificate of acknowledgment annexed, admitted to record this 21st day of April, 2000 3:12 P. M.
 Deed Book No. 506 and Page No. 223 TESTE: James M. Bevens, Jr., Clerk
 Returned this date to; Dean Davis TESTE: Glenn S. Miller Deputy Clerk